

Quarterly Analysis on Government's Revenue Receipts

April-June 2018



Research Department
Bangladesh Bank

The report has been prepared by Special Studies Division, Research Department, Bangladesh Bank (Central Bank of Bangladesh). Comments on any aspects of the report are highly appreciated and can be sent to Rupok Chad Das, Assistant Director (e-mail: rupok.chad@bb.org.bd).

Report Preparation Committee

Chief Coordinator

Dr. Md. Akhtaruzzaman

Economic Adviser

Coordinator

Md. Abdul Awwal Sarker

General Manager

Team Members

Md. Sanaulah Talukder

Deputy General Manager

Rupok Chad Das

Assistant Director

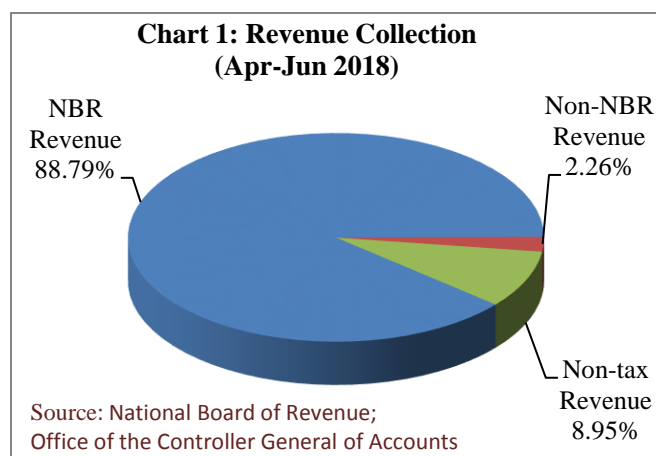
Quarterly Analysis on Government's Revenue Receipts^P

April-June 2018

To be a middle income country by 2024, Bangladesh is increasingly focusing on mobilization of internal resources to improve socio-economic infrastructure and to cover budgetary expenditure through domestic revenue receipts from different sources. Bangladesh may utilize its full potential in mobilizing domestic resources through a strong tax administration, progressive tax policies and practices, automation in collection process, creating awareness of tax payer benefits etc. The government has revised its target for revenue collection amounting to Tk. 259454 crore for FY18 which is 18.74 percent higher than the revised target of revenue collection for previous year. According to the revised budget for FY18, total revenue is expected to be 11.59 percent of GDP where the actual collection of revenue was 10.29 percent in FY17. Tax revenue dominates the total revenue collection in our country and that tax revenue is expected to be 10.37 percent of GDP amounting to BDT 232202 crore in FY18.

The quarterly scenario of revenue collection depicts many dimensions of the revenue collection trajectory including progress towards yearly target, inter-quarter comparisons, fluctuation in the collection process, remedial policy aspects, development in factors that can positively trigger the collection trend to override threshold. An analysis on the revenue collection in April-June 2018 is given below:

Sources of revenue collection in Bangladesh have broadly been classified into three major categories: NBR Revenue, Non-NBR Revenue and Non-tax Revenue. The revised target of total (NBR+Non-NBR+Non-tax) revenue collection for FY18 is Tk. 259454 crore which is 6.88 percent higher than that of FY17 and 18.74 percent higher than that of revised budget target of FY17. During the last quarter of FY18 (April-June 2018), the revenue collection stood at Tk. 71103.85 crore which is 23.10 percent and 9.12 percent higher than Tk. 57803.87 crore and Tk. 65162.14 crore recorded in the previous quarter and the same period of previous fiscal year respectively.



^P (Provisional)

Sources of Data:

National Board of Revenue (NBR)

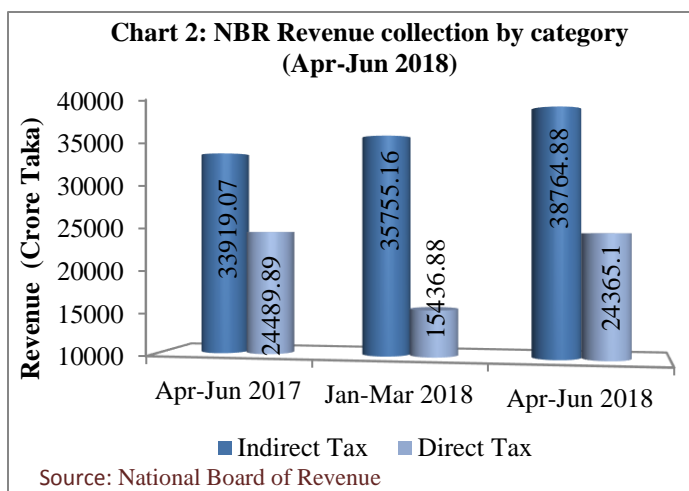
Office of the Controller General of Accounts (CGA)

During April-June 2018, the total revenue collection stood at 27.41 percent of the annual target which is 2.42 percentage point lower than that of FY17.

Category-wise revenue collection is depicted in chart-1. During April-June 2018, in the total revenue collection, contribution of NBR Revenue, Non-tax Revenue and Non-NBR Revenue were Tk. 63129.98 crore (88.79 percent), Tk. 6364.86 crore (8.95 percent) and Tk. 1609.01 (2.26 percent) respectively (Chart 1).

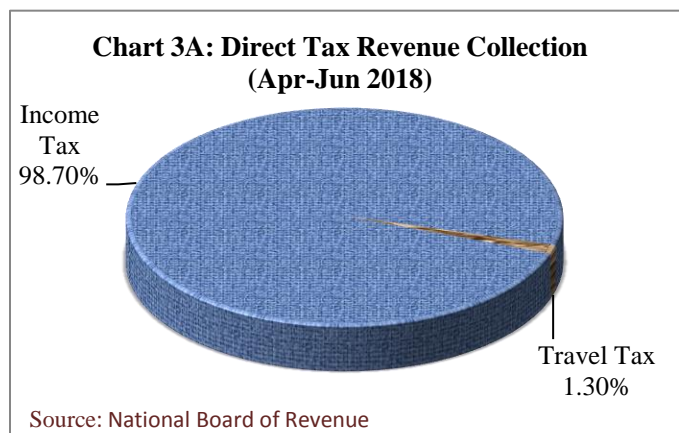
A. NBR Revenue Collection

NBR revenue receipt mainly comes from two broad sources: Direct Tax and Indirect Tax. Following the revised annual target of NBR tax revenue collection of BDT 225000 crore, a total of BDT 63129.98 crore (28.06 percent of the revised annual target for NBR tax revenue collection) was collected in this last quarter of FY18. Revenue collection by NBR during the quarter April-June 2018 experienced an increase by 23.32 percent and 8.08 percent than that of the previous quarter and the same quarter of the preceding fiscal year respectively (Chart 2).



a. Direct Tax Collection

Direct Tax is mainly comprised of income tax and travel tax. During April-June 2018, the contribution of direct tax in the total NBR revenue collection was 38.60 percent amounting to TK. 24365.1 crore which was 57.84 percent higher than that of previous quarter but 0.51 percent lower than that of the corresponding quarter of preceding fiscal year respectively. In the direct tax, contribution of income tax is 98.70 percent (Chart 3A).

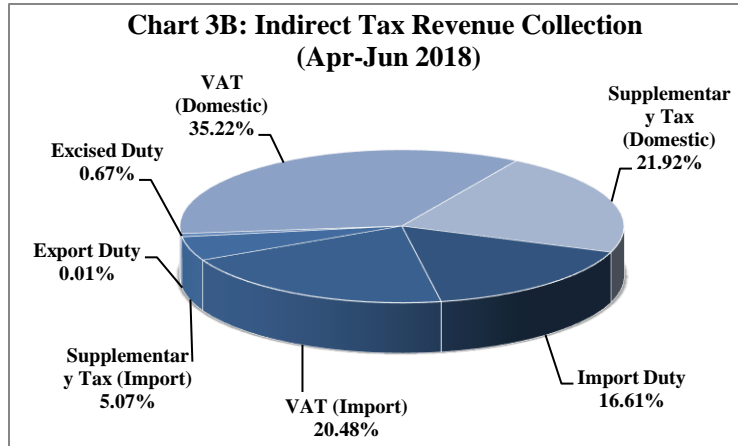


b. Indirect Tax Collection

Indirect tax is comprised of different types of duties, VAT, supplementary tax, turn over tax etc. Indirect tax contributed 61.40 percent in the total NBR revenue collection during April-June

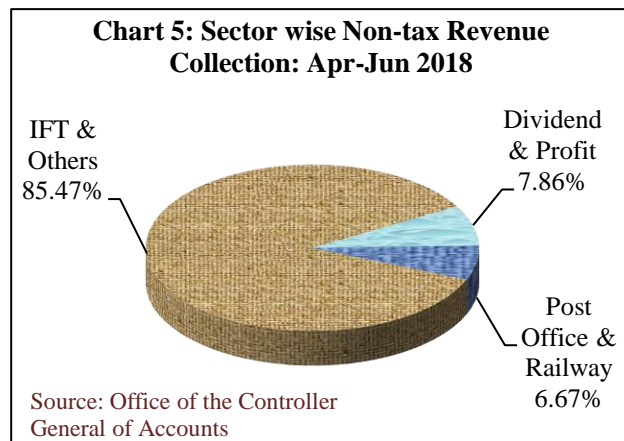
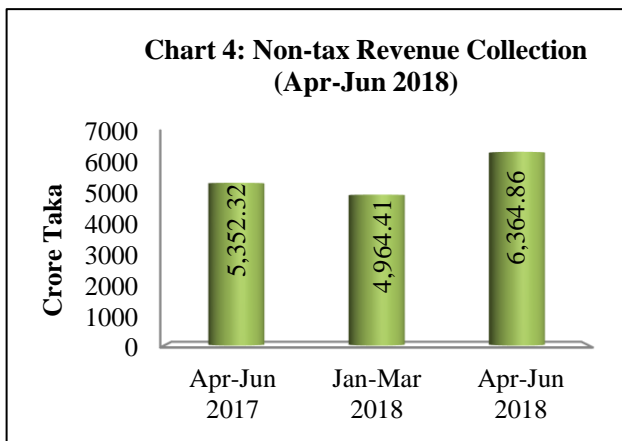
2018 amounting to Tk. 38764.88 crore which is higher by 8.42 percent and 14.29 percent than that of previous quarter and the corresponding quarter of previous fiscal year respectively.

In indirect tax revenue collection, contribution of VAT (domestic) played a dominant role by recording 35.22 percent while VAT (import), Supplementary Tax (domestic), Import Duty and Supplementary Tax (import) contributed 20.48, 21.92, 16.61 and 5.07 percent respectively (Chart 3B).



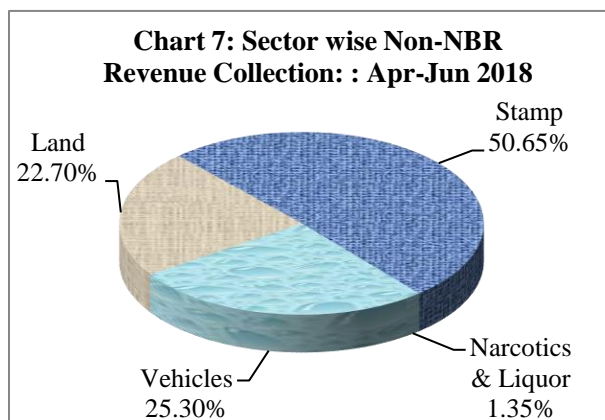
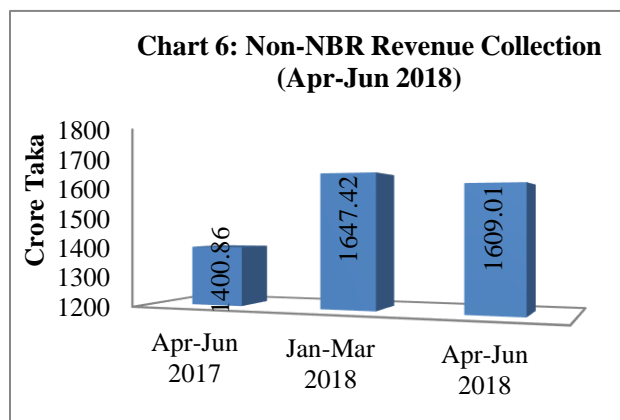
B. Non-tax Revenue Collection

Non-tax revenue is the second highest revenue earning source among all the sources of revenue collection. The revised annual target for Non-tax revenue collection was BDT 27252.00 crore for FY18. During April-June 2018, the non-tax revenue collection was Tk. 6364.86 crore which is 28.21 percent and 18.92 percent higher than that of previous quarter and that of the corresponding quarter of previous fiscal year (Chart 4). During the period, Dividend & Profit; Post Office & Railway; and Interest/Fees/Tolls & others are the components of Non-tax revenue collection which contributed by 7.86 percent, 6.67 percent and 85.47 percent respectively in the total non-tax revenue collection (Chart 5). A total of BDT 21856.89 crore has been collected in this fiscal year as non-tax revenue which is 80.20 percent of the aforesaid revised annual target for non-tax revenue collection.



C. Non-NBR Revenue Collection

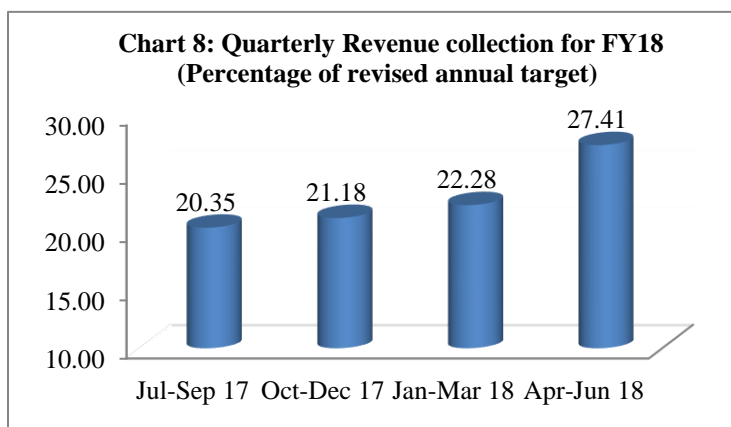
Among all the sources of revenue collection, Non-NBR revenue is the third revenue earning source. A target of BDT 7202.00 crore for non-NBR revenue collection was set in the revised budget for FY18. During April-June 2018, the non-NBR revenue collection was Tk. 1609.01 crore which is 2.33 percent lower than that of the previous quarter but 14.86 percent higher than that of the corresponding quarter of previous year (chart 6). Stamp, Vehicles, Land and Narcotics



& Liquor are the components of Non-NBR revenue collection which contributed by 50.65 percent, 25.30 percent, 22.70 percent, and 1.35 percent respectively in the total non-NBR revenue collection (Chart 7). Following the revised annual target, a total of BDT 7043.45 crore (97.80 percent of revised annual target for that category) has been collected in this fiscal year.

Comparison among inter-quarter collections of Revenue for FY18

Collection of revenue varies from quarter to quarter and in general it seems that an increase in the volume of collection as the fiscal year progress as can be seen from Chart-8. Where the first quarter of FY18 accumulated only 20.35 percent of the revised revenue target, followed by 21.18 percent in the second quarter, 22.28 percent in the third quarter and this last quarter (April-June 2018) accumulated 27.41 percent of that target and this is the highest of all the quarters (Chart 8).



All the four quarters combine to accumulate 91.21 percent of the revised revenue collection target for FY18 amounting to BDT 236653.08 crore against the aforesaid revised revenue target of BDT 259454.00 crore. Continuous endeavors by the respective revenue collection authorities as well as up-to-date legal structures and reforms have made this collection possible. Non-NBR collection approximately achieves the revised annual

target for that category (97.80 percent), followed by NBR (92.33 percent), Non-tax (82.20 percent) in FY18 (Table 1).

Table 1: Yearly Gross Revenue Collection							
(BDT in crore)							
Revenue Source	Revised Annual Target	Jul-Sep 2017	Oct-Dec 2017	Jan-Mar 2018	Apr-Jun 2018	Gross Collection	% of the revised annual target
NBR	225000	43763.69	49667.02	51192.04	63129.98	207752.73	92.33
Non-NBR	7202	2222.90	1564.13	1647.42	1609.01	7043.45	97.80
Non-Tax	27252	6802.83	3724.84	4964.36	6364.86	21856.89	80.20
Total	259454	52789.42	54955.99	57803.82	71103.85	236653.08	91.21

Recent policy measures taken by the government for revenue mobilization

The government has undertaken some important measures for revenue mobilization during FY18. As there are no new initiatives taken during the quarter, the measures taken for the whole fiscal year are mentioned as follows.

- To add a significant momentum in revenue collection, VAT and Supplementary Duty Act 2012 has been effective from 1 July 2017.
- Effective measures have been undertaken to increase the number of active taxpayers to 30 lakh within Financial Year 2018-2019 as part of expansion of tax net.
- Direct Tax Act 2011 has been effective since 1st July 2012 which includes income tax, gift tax, travel tax and wealth tax. The new act is tax-payer friendly and playing effective role in revenue mobilization.
- Taxpayer, who has a taxable income and belongs to any of the city corporations of Dhaka North, Dhaka South, or Chittagong have to pay Tk. 5000 as minimum tax. It is Tk. 4000 for taxpayers from other city corporations. The rest of the taxpayers in the country have to pay Tk. 3000 as minimum tax is imposed.
- To ensure a minimum tax from companies and firms, a uniform 0.30 percent tax on gross receipts have been imposed on companies earning more than Tk. 50 lakhs. Separate tax rates have been imposed on cigarette, bidi, Zarda, chewing tobacco, gul, and other smokeless tobacco producers at 1.0 percent, for mobile phone operators at 0.75 percent, and for all others at 0.60 percent.

Concluding Remarks and Recommendations

Domestic revenue mobilization eases the implementation of the development activities of a country. Since Government of Bangladesh centrally formulates detailed planning for a balanced and sustainable development, collection of revenue becomes crucial as this revenue acts behind successful realization of the plans formulated. Inability to meet up the budgetary expenditure incurred for various development activities obligates government to incur debt. This debt may cause full or partial crowding out in case the debt is recourse from internal sources. Foreign debt costs huge interest and makes the development more expensive. So revenue collection gets upmost importance by the government.

Tax revenue is currently above 9 percent of GDP and the country needs more revenue to finance infrastructure investment and social spending. Therefore, considering the importance of revenue receipt, the tax net and base has been diversified significantly to add an extra impetus to the revenue collection of Bangladesh. In order to expedite revenue collection of the government in this fiscal year, the ongoing public financial reform programs including implementation of new Public Financial Management (PFM) strategy 2016-2021, automation of revenue collection process, reduction of tax exemption, rationalization of tax administration and tax base will be strengthened. Additional measures are also necessary to actively involve all stakeholders of the collection process. For instance, marking top taxpayers for intense monitoring, collecting revenue from economically well off zone, bringing new people under tax net and arranging periodic tax fair for creating awareness among the people about taxation etc. may boost revenue collection. Initiatives and incentives by the Government to formalize these activities would greatly enhance the tax potential on the domestic side while making it possible to achieve the targets set under the Seventh Five Year Plan (SFYP).